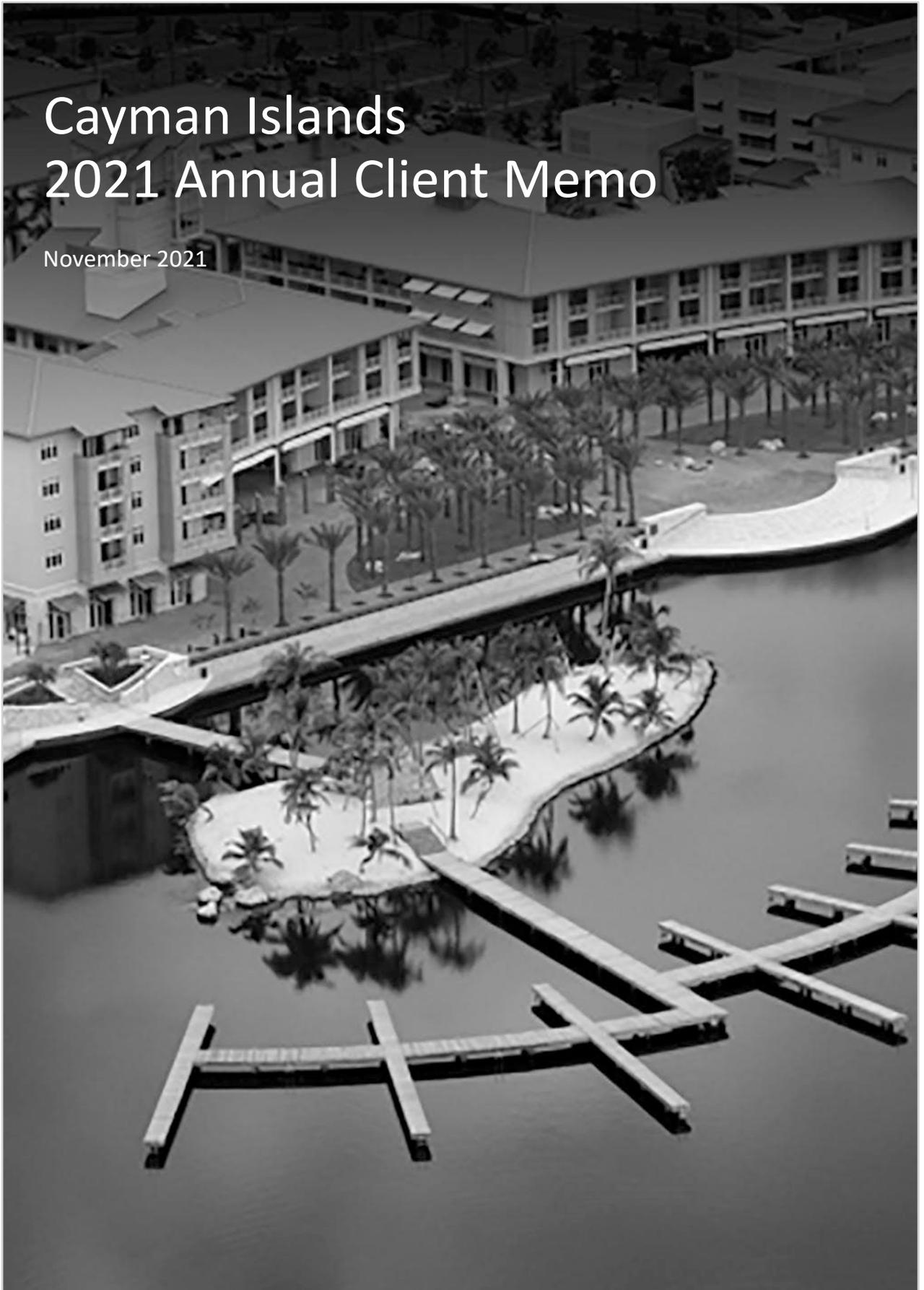


# Cayman Islands 2021 Annual Client Memo

November 2021



## Introduction

The Trident Trust Group ([www.tridenttrust.com](http://www.tridenttrust.com)) is an organisation with a 40-year track record of providing fiduciary, corporate and fund administration services to international financial institutions, professional intermediaries and private clients.

We take pride in our core values of reliability, responsiveness, attention to detail and personal service. Our client focus allows us to develop custom solutions tailored to support our clients' success.

Our global footprint and substantial Cayman Islands presence positions us to support offshore and onshore structuring and ongoing client requirements.

We have enclosed our Annual Client memo with information on current legislation and registered office requirements.

Thank you for choosing Trident Trust Company (Cayman) Ltd. We look forward to our continued partnership.

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## Highlights

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## Registered Office at a Glance

October 2021	
	Trident Trust invoice
November 2021	
15	Officer closure, public holiday, Remembrance Day
December 2021	
25	Public holiday, Christmas Day
27	Officer closure, public holiday, Christmas Day (in lieu)
28	Officer closure, public holiday, Boxing Day (in lieu)
31	Economic substance notification due for all entities except trust structures
31	Last day to file 2020 economic substance returns for relevant entities performing relevant activities with a year end of 31 December 2020
January 2022	
1	Public holiday, New Year's Day
1	Government registration fees due
3	Office closure, public holiday, New Year's Day (In lieu)
15	CIMA will assess penalty for all registration fees unpaid past this date
24	Public holiday, National Hero's Day
31	Entities where the annual return and registration fee is outstanding are no longer in good standing
March 2022	
31	Registrar of Companies' penalty will be applied at 33 1/3% for all entities who have not filed the annual return and have not paid the annual fees
April 2022	
15	Officer closure, public holiday, Good Friday
18	Officer closure, public holiday, Easter Monday
May 2022	
16	Public holiday, Discovery Day
June 2022	
30	Registrar of companies will assess 66 2/3% penalties for all entities who have not filed the annual return and have not paid the annual fees
30	Last day to submit CRS & FATCA filing for your Cayman financial institutions

September 2022	
15	Annual CRS compliance form is due
30	Registrar of companies will assess 100% penalties for all entities who have not filed the annual return and have not paid the annual fees

## Trident Trust at a Glance

### Worldwide Offices

Founded in 1978, Trident Trust is a leading independent provider of corporate, trust and fund administration services to the financial services sector worldwide, employing over 900 staff across a global footprint that spans Africa, the Americas, Asia, the Caribbean, Europe and the Middle East. Find out more [here](#).

### Trident Cayman – The Office

Our office was established in 1989 and has grown from a two-person team to a thriving 47-person operation. It has a Trust licence and a Hedge Fund Administrators' licence from the Cayman Islands Monetary Authority (CIMA). Further information on our office can be found [here](#).

### Trident Cayman – Key Personnel

- ✔ Deanna Derrick – Managing Director
- ✔ Gwen McLaughlin – Executive Director
- ✔ Rafael Elias – Director
- ✔ Simon Gorter – Chief Operating Officer
- ✔ Eva Moore – Head of Compliance
- ✔ Jeff Alban – Head of Investor Services
- ✔ Jessica Hislop-Whiteman – Deputy Head of Corporate
- ✔ Kristin Brown – Manager Business Development

Find out more on each of the above [here](#).

### Trident Cayman – We Can Support You

- ✔ Company Formation
- ✔ Partnership Registration
- ✔ Limited Liability Company (LLC) Registration
- ✔ Registered Office Services
- ✔ Fund Administration for Mutual Funds and Private Equity Funds
- ✔ Accounting Services
- ✔ Registrar and Transfer Agent Services
- ✔ FATCA and CRS Reporting
- ✔ AML Officers and AML Support Services
- ✔ Cayman Domiciliary/Economic Substance Services
- ✔ Directorships and Committee Participation
- ✔ Trustee and Trust Administration (Private Client & Unit Trust)
- ✔ Cayman Vessel Registration and Representation Services
- ✔ Closure Services – Voluntary Liquidation and Strike Off
- ✔ Service of Process Agent
- ✔ Government Reporting Assistance

Trident Cayman engages BDO to carry out its annual internal control review in accordance with the American Institute of Certified Public Accountants' AT-C Section 320, Reporting on an Examination of Controls at a Service Organization Relevant to User Entities' Internal Control Over Financial Reporting ("AT-C 320"). BDO also examines Trident Cayman in accordance with the International Standard on Assurance Engagements No. 3402, Assurance Reports on Controls at a Service Organization ("ISAE 3402"). These examinations cover our hedge fund operations.

## Cayman Islands Entities

Find out more [here](#) about the different types of Cayman Islands entities we can assist with and the important continuing statutory obligations of these entities.

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# Registered Office Fee Payment Information

## Payment Procedures

Trident Cayman's registered office fees are billed in the fourth quarter of each year to enable us to meet year-end government filing and payment deadlines. Kindly settle our invoices within 30 days of receipt as per our Terms of Business and in order to avoid government penalties.

Payment of government fees can only be made if all our outstanding invoices have been paid in full and if we have been able to identify and credit the funds received to your account. Please ensure that the name of the Cayman entity and/or the invoice numbers are properly identified. If full and correct invoice numbers and/or name of the Cayman entity are not included, we may not be able to credit your payment, which will result in the funds being returned. Such event may result in the entity incurring penalties for late paid government fees.

For entities formed during the year, we shall adjust our fees charged to bring them into line with our annual billing cycle.

Please note that our general administration services and related expenses are billed separately throughout the year.

All Trident Cayman invoices are expressed in United States dollars and should be paid by a bank wire transfer or an international cheque/bank draft couriered to our physical address to ensure timely receipt.

Our bank details are included with our invoice.

Please contact our office accounts team on 1-345-949 0880 or at [cayman@tridenttrust.com](mailto:cayman@tridenttrust.com) should you have any questions with respect to our bank details.

## Economic Substance

### Economic Substance Act (ESA)

Cayman (like many other international financial centres) has put in place legislation requiring certain entities that are incorporated or registered in Cayman to demonstrate that they have sufficient “economic substance” in Cayman to show that they should not be taxed elsewhere.

**Relevant Activities** – Cayman Islands incorporated companies (other than certain domestic companies which carry on business within the Cayman Islands or associations not for profit), limited liability companies, limited liability partnerships and registered foreign companies, are “relevant entities” unless excluded as set out below.

Investment funds, as defined in the ESA, are excluded from the definition of “relevant entity”. The definition of an investment fund includes entities through which an investment fund directly or indirectly invests or operates (but not an entity that is itself the ultimate investment held).

An entity that is tax resident in another jurisdiction is also excluded from the definition of “relevant entity”. An entity will be regarded as tax resident in another jurisdiction if it is subject to corporate income tax on all its income from a “relevant activity” by virtue of its tax residence, domicile or any other criteria of a similar nature in that other jurisdiction. An entity that can evidence that it is a “disregarded entity” for US income tax purposes and has a US corporation as its parent will also be regarded as tax resident in another jurisdiction.

**Relevant Entities** – Any company (incorporated or registered as an overseas company in Cayman) that is not a “domestic company” (e.g., carrying on business only in Cayman or a not for profit) or limited liability partnership that is registered in Cayman, and which carries on any of the following “relevant activities” is considered a “relevant entity”:

- Banking Business
- Insurance Business
- Fund Management Business
- Finance and Leasing Business (which, among other activities, includes the provision of finance to third parties or affiliates)
- Headquarters Business
- Shipping Business
- Holding Company Business (i.e., only pure equity holdings, not holdings of another kind of property, e.g., real estate or private vessels or aircraft)
- Intellectual Property Holding Business
- Distribution and Service Centre Business (which, among other activities, includes the provision of services to affiliates)

Definitions of each relevant activity are provided in the ESA.

### Economic Substance Notification (ESN)

All relevant entities are required to file an ESN at the end of each year declaring whether the entity undertook any relevant activities. Filing an ESN is a pre-requisite to enable the required filing of the annual return and payment of the annual government fee so the entity remains in good standing.

The fee for filing the ESN is included in our registered office invoice sent the fourth quarter of each year.

The annual return cannot be filed prior to ESN filing, so penalties for failure to file will be incurred.

### Economic Substance Reporting

A relevant entity that carries on a relevant activity must file an economic substance return (ESR) no later than twelve months after the entity’s financial year. For example, a relevant entity that undertakes a relevant activity with a financial year end of 31 December 2021 must file an ESR on or before 31 December 2022.

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The ESR reports details regarding the entity's core generating activities, ownership and financial details and other matters depending on the relevant activity undertaken by the entity.

The entity must declare whether it meets the economic substance requirements as defined by the ESA. A relevant entity satisfies the economic substance test in relation to a relevant activity if the relevant entity:

- Conducts its core income generating activities (CIGA) in relation to that relevant activity in the Cayman Islands;
- Is directed and managed in an appropriate manner in the Cayman Islands in relation to that relevant activity; and
- Having regard to the level of relevant income derived from the relevant activity carried out in the Cayman Islands:
  - Has an adequate amount of operating expenditure incurred in the Cayman Islands;
  - Has an adequate physical presence (including maintaining a place of business or plant, property and equipment) in the Cayman Islands; and
  - Has an adequate number of full-time employees or other personnel with appropriate qualifications in the Cayman Islands.

There are significant penalties for non-compliance with the Cayman Islands' economic substance reporting and there is a possibility of the entity being struck off from the registry. The penalties range from \$10,000 to \$50,000 and up to one year imprisonment.

## Regulatory Update

Guidance Notes on the Prevention and Detection of Money Laundering, Terrorist Financing and Proliferation Financing in the Cayman Islands (the “Guidance Notes”)

On 5 June 2020, the Guidance Notes were updated to include new legislation on assessing risks and applying a risk-based approach, targeted financial sanction, ongoing monitoring and virtual asset service providers.

Anti-Money Laundering Regulations (2020 Revision)

On 5 August 2020, the Anti-Money Laundering Regulations (2020 Revision) (the “AML Regulations”) were updated by removing the equivalent jurisdiction list and instead, each person carrying out relevant financial business will be required to carry out their own risk assessment of every country or geographic area in which their customers or applicants for business reside or operate.

Eligible Introducers

The AML Regulations were also updated in regard to eligible introducers. They now require that anti-money laundering comfort letters provided by third-party introducers of business (Eligible Introducers) must state, in addition to the name of customer being introduced, the name of the beneficial owner(s) (see further on this below) of the customer. Funds should review their Eligible Introducer comfort letters to ensure that the additional information is included or otherwise provided to the fund upon introduction.

Financial Action Task Force (FATF)

On 25 February 2021, the FATF placed the Cayman Islands under increased monitoring for AML/CFT purposes. While the Cayman Islands was found largely compliant on 39 out of 40 recommendations (with the 40th recommendation being remedied by the virtual asset regime coming into effect) and 60 out of 63 of the recommended actions, the FATF recognised that the Cayman Islands has made great strides due to the aforementioned deficiencies and the Cayman Islands were placed on the “grey list”. FATF will conduct another evaluation in October 2022 at which time the Cayman Islands will be reviewed for its progress and outcome

of the below objectives:

- IO3 (Supervision) – the Cayman Islands Monetary Authority (CIMA) should apply sanctions that are effective, proportionate and dissuasive and take administrative penalties and enforcement actions to ensure that breaches are remediated effectively and in a timely manner.
- IO5 (Legal Persons and Arrangements) – the Registrar of Companies and CIMA should impose adequate and effective sanctions in cases where relevant parties (including legal persons) do not file accurate, adequate and up-to-date beneficial ownership information for legal entities and arrangements in accordance with the available regimes.
- IO7 (ML Investigations and Prosecutions) – the Cayman Islands Bureau of Financial Investigations (CIBFI) and the Office of Director of Public Prosecutions (ODPP) should demonstrate that:
  - They are prosecuting all types of money laundering, including complex ML cases, standalone money laundering and cases involving proceeds of foreign offences, in line with Cayman's risk profile as an international financial centre; and
  - Such precautions are resulting in the application of dissuasive, effective and proportionate sanctions against natural and legal persons.

## Economic Substance Update July 2021

From June 2021, the International Tax Co-operation (Economic Substance) (Amendment of Schedule) Regulations, 2021 has been updated to expand the economic substance regime by bringing in scope all types of Cayman Islands partnerships (general partnerships, limited partnerships, exempted limited partnerships and foreign limited partnerships). As a result of this expansion, partnerships will now also be required to make an annual notification as to whether they are in scope of the economic substance regime and whether or not they are carrying on a relevant activity during the reporting period.

In-scope partnerships formed between 1 July 2021 and 31 December 2021 must satisfy the economic substance test from 1 January 2022. See link for the Economic Substance Act: <https://www.dtc.ky/wp-content/uploads/DITC-Economic-Substance-Act.pdf>.

As part of the 2022 invoice process, all partnerships will receive an Economic Substance Notification form from us, which we will file with the government.

### Funds – Fund Annual Return July 2021

The Cayman Islands Monetary Authority released the Fund Annual Return (FAR) for all regulated private funds on 9 July 2021.

The FAR form for private funds and the related completion guide can be found at <https://www.cima.ky/investment-funds-forms>.

The FAR must be submitted to CIMA within six (6) months of the fund's financial year end.

At your request, our team will assist with the completion and submission of the FAR.